

TALCB Bulletin

TALCB was created by an act of the Texas Legislature in 1991 to license, certify and regulate real estate appraisers in Texas under state and federal laws. In 2011, TALCB's jurisdiction was expanded to register and regulate appraisal management companies.



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THE URAR, TO BE OR NOT TO BE, THAT IS THE QUESTION

The Uniform Residential Appraisal Report (URAR) is the most commonly used appraisal report form in residential appraising. Most appraisers are familiar with it and feel comfortable in its use. However, it may not always be the right form for some residential appraisal assignments.

Regulatory Issues: 2016-2017 Uniform Standards of Professional Appraisal Practice (USPAP) states in STANDARD 2 that the appraisal report must not be misleading and must contain sufficient information to be properly understood. Additionally, as a regulatory attorney once observed: "If you say it in your appraisal report, the reader has the right to rely on your statements." So care should be taken in communicating your appraisal results, including the use of the appropriate report form.

URAR was designed only for mortgage finance assignments in general, and with the specific needs/requirements of Fannie Mae/Freddie Mac ([FNMA/FHLMC](#)) in mind. However, as promulgated by FNMA/FHLMC, the URAR does not fully comply with current USPAP requirements. Accordingly, in many assignments communicating the appraisal assignment results using the URAR may be problematic.

Non-Mortgage Assignments: Assignments where the URAR may not be the optimum form include:

- Litigation;
- Partial interests;

- Replacement cost for insurance purposes;
- Listing price services;
- Foreclosure/REO assignments;
- Property tax protests; and
- Probate/estate planning.

Current URAR Form: To comply with USPAP, completing the above and/or other appraisal assignments it may be necessary for the appraiser to adapt or modify the URAR form to comply with USPAP and/or meet client needs. The specialized nature of the form may make this a thankless task.

As mentioned, the URAR was designed by FNMA/FHLMC for their purposes only and therefore reflects their particular needs and requirements. Examples of this include: (a) emphasis being placed on the neighborhood without specifically addressing the market area; (b) a highest and best use section which assumes the current use, as improved, will be the highest and best use; and (c) an improvement description section that does not lend itself to detailed descriptions of accrued depreciation or any related analysis. Additionally, the certifications (there are 25 incorporated in the form, but USPAP requires only 10) reflect specific FNMA/FHLMC requirements that restrict/limit the appraiser's flexibility in using the form.

THE URAR, TO BE OR NOT TO BE, THAT IS THE QUESTION (CONTINUED)

Furthermore, there is language in the form specifically forbidding or restricting changes or modifications of the intended use, intended user, definition of market value, statement of assumptions and limiting conditions, and certifications.

While in the past there were not many options, that is no longer the case. So when a non-finance residential assignment calls for the use of a form summarizing the appraiser's findings, what are the current options available?

Narrative Format: Creating a narrative report has always been an alternative but it negates many of the advantages of a form. Some appraisers have created template report formats for use in lieu of the URAR, but these are typically not created to any particular standard or form and may not meet client needs.

General Purpose Forms: Software vendors offer suites of general purpose residential forms. All the major providers of software offer versions of non-FNMA/FHLMC centric forms. While retaining the general layout and "feel" of the URAR, the specifics related to mortgage lending and secondary mortgage market requirements have been removed/changed. An added advantage of these general purpose forms includes their being updating more frequently than the URAR.

AI Reports: The Appraisal Institute created a family of residential appraisal forms/addendums to handle a wide range of non-mortgage lending

appraisal assignments. Unlike other forms, the AI Reports are a hybrid form/narrative report, using a modular format. This allows the appraiser to have more control, flexibility, and the ability to pick and chose only those elements germane to the assignment.

June, 1993 URAR: The "old" version of the URAR has been a choice for many appraisers, especially in the past when there were few alternatives. Problems with using this form include it having many of the same mortgage finance specific limitations of the current form, and also being 23 years "out of date." Much in the way of modification/changes could be required to properly use this form today.

So, there you have it. The current URAR is probably not the proper form for every residential assignment. However, today there are a number of alternatives which preserve the advantages of a form report without requiring extensive changes or modifications. All the alternative forms discussed above may be found in your software vendors package of forms.

Keep in mind whichever form you use, the appraiser has the ultimate responsibility for compliance with USPAP.

TALCB Enforcement Actions

The Texas Appraiser Licensing and Certification Board publishes their enforcement actions regularly on the new TALCB website. To read the reports please go to the [TALCB website and click](#) on, public and disciplinary actions.

From the Commissioner...

During our agency's recent Strategic Planning "Listening Tour" at nine different locations across Texas in March, I was impressed with the number of stakeholders that showed up at every location to offer input on the path forward for professional real estate regulation in this great state. Only a few appraisers attended each location, but we made sure to address appraiser-related issues. Here's what we learned.

Topics raised during the tour by and about appraisers include these – appraisers completing appraisal assignments in areas of the state where the appraiser does not work regularly; a widespread belief that agreed "contract price" is really the strongest and even "conclusive" evidence of "market value"; and inputs on the Appraisal Qualifications Board (AQB) talking points regarding adding some flexibility to current qualifications for appraisal practice to address the perceived "aging" or "shortage" of appraisers.

The first two topics actually reflect a certain frustration with the independent role that appraisers play in establishing real estate "market value" for mortgage loan collateral purposes, and the all too common misperception that no party (or their representative) to a transaction can communicate directly with the appraiser. Also, the prevalence of appraisal management companies in the residential real estate market adds another layer of complexity to resolving incorrect or missing information in an appraisal.

The willingness of AQB to discuss potential alternatives to the requirement of a 4 year college degree to achieve certification, add a practical education/experience curriculum, reconsider the total number of experience hours, grant some credit for "related" experience, analyze the real impact of residency requirements for supervisors, and the potentially negative use of the title "trainee" – these topics all received some insightful comments which were summarized and forwarded to AQB by the Board.

A certain sense of "unpredictability" with respect to the ongoing transitions in the appraisal field can be disconcerting and that leads to an understandable frustration for direct market participants and other stakeholders.

Slow federal action on providing clarity after the Dodd-Frank Act adds to that uncertainty. Know that the Board remains fully engaged with the federal regulators and with other states via the Association of Appraiser Regulatory Officials (AARO) to attempt to influence these matters in a positive direction. At the state level, we dialogue with appraiser professional associations constantly, and also regularly communicate with other state agencies with actual or potentially overlapping jurisdiction. In these and other ways, we seek to make appraisal regulation somewhat simpler and more predictable.

Know that if you were not able to make it to one of the input sessions, we are still accepting your comments until early April via the survey link on our website. Although there are 20 questions suggested, you need only answer those for which you have some interest. All ideas are welcome; really!

I really appreciate the level of genuine engagement we received during this first step in the Strategic Plan process. We will continue to solicit your inputs as the Board consider all of the ideas you have offered and translate them into policy proposals - to advance the mission of the agency to protect the consumers of real estate services in Texas through effective education, licensing and regulation.



Douglas E. Oldmixon

Rules and Forms Actions at the February 19th

Board Meeting

The Board took the following actions regarding rules and forms at its meeting on February 19, 2016. You may review the full text of all rules actions on the [Rules and Laws section](#) of the TALCB website. The revised forms are available on the [Forms section](#) of the TALCB website.

ADOPTED RULES

The Board adopted a new rule and amendments to the following rules at its meeting on February 19, 2016. These amendments took effect March 14, 2016.

22 TAC §153.18, Appraiser Continuing Education (ACE)

The amendments to this rule add additional opportunities for appraiser license holders to obtain continuing education credits consistent with criteria established by the Appraiser Qualifications Board and statutory changes to Chapter 1103, Texas Occupations Code, adopted by the 84th Legislature.

22 TAC §153.22, Voluntary Appraiser

Trainee Experience Reviews

This new rule establishes a voluntary program through which an appraiser trainee may receive feedback about their appraisal work product from the Board before submitting an application for licensure.

22 TAC §153.27, License by Reciprocity

The amendments to this rule streamline the Board's process for verifying an applicant's licensure in another state and will lower the cost and simplify the application process for applicants who apply for a license under this section.

FORMS

The Board took no action regarding forms at its meeting on February 19, 2016.

IMPORTANT DATES TO REMEMBER

AQB Fingerprinting Requirements Working Group Meeting—April 11

TALCB Executive Committee Meeting—April 26

TALCB Board Meeting—May 13

Check the TALCB website regularly for postings of all of our upcoming meetings.